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Message Text

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C O N F I D E N T I A L STATE 236541 TOSEC 270644

FOR LORD ONLY FROM BARTHOLOMEW

E.O. -1652: GDS

TAGS:PFOR, JA, US

SUBJECT: SINO-SOVIET PAPER FOR US-JAPAN PLANNING TALKS

1. HERE IS ARMACOST DRAFT OF SINO-SOVIET PAPER FOR YOUR REVIEW ON THE PLANE. IT HAS BEEN GIVEN TO C, EA, EUR, AND GLEYSTEEN (NSC) FOR COMMENT. WE WILL WANT TO CABLE IT TO TOKYO NO LATER THAN MONDAY NOON.

2. BEGIN TEXT: FUTURE EAST-WEST RELATIONS: US POLICIES TOWARD CHINA AND THE USSR (UNDERLINE)

3. THIS PAPER EXAMINES TRENDS WHICH COULD HAVE A SIGNIFICANT BEARING UPON US RELATIONS WITH THE SOVIET UNION AND CHINA, SEEKS TO IDENTIFY KEY FUTURE ISSUES, AND NOTES SOME IMPLICATIONS FOR US-JAPANESE COOPERATION ON EAST-WEST MATTERS.

4. UNITED STATES POLICY TOWARD THE SOVIET UNION (UNDERLINE)
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5. OVER THE PAST SEVERAL DECADES US-SOVIET RELATIONS HAVE BEEN MARKED BY THREE CONSTANTS:

-- ACUTE GEOPOLITICAL RIVALRY, MODIFIED BUT NOT REPLACED BY THE EMERGENCE OF OTHER POWERS.

-- IDEOLOGICAL AND POLITICAL COMPETITION, VARYING IN INTENSITY OVER TIME, BUT CONSISTENTLY INHIBITING THE SCOPE OF POLITICAL AGREEMENTS.

-- A PERCEIVED NEED FOR "PEACEFUL COEXISTENCE," I.E. THE AVOIDANCE OF WAR.

6. THE PRINCIPAL VARIABLE HAS BEEN THE EXTENT OF SOVIET WILLINGNESS TO IMPOSE LIMITS ON EAST-WEST DIPLOMATIC-STRATEGIC COMPETITION THROUGH GENUINE NEGOTIATIONS LEADING TO PARTIAL AGREEMENTS. DURING THE 1969-1973 PERIOD THE USSR'S WILLINGNESS TO NEGOTIATE SALT I, THE BERLIN AGREEMENT, A SIGNIFICANT EXPANSION IN EAST-WEST TRADE, AND A PROLIFERATION OF EXCHANGES OF VARIOUS KINDS, WAS A RESULT OF A NUMBER OF CIRCUMSTANCES: SOVIET ACHIEVEMENT OF STRATEGIC PARITY, INCREASED CONFIDENCE IN ITS CONTROL OVER EASTERN EUROPE, A PERCEIVED NEED FOR WESTERN TECHNOLOGY TO MEET RISING SOVIET DEMANDS FOR CONSUMER GOODS, AND ITS DETERIORATING RELATIONS WITH THE PRC. SOVIET ADOPTION OF A MORE ACTIVIST POLICY IN RECENT YEARS IS PROBABLY ATTRIBUTABLE TO THEIR PERCEPTION OF A NEW AND MORE PROMISING INTERNATIONAL CORRELATION OF FORCES MARKED BY RECESSION IN THE INDUSTRIAL DEMOCRACIES, THE GROWTH OF MORE ASSERTIVE ANTI-WESTERN SENTIMENT IN THE THIRD WORLD, A WEAKENING OF COHESION ON NATO'S MEDITERRANEAN FLANK, THE PROLONGED CONSTITUTIONAL CRISIS IN AMERICA, AND THE FAILURE OF US EFFORTS IN VIETNAM.

7. THE QUESTION OF HOW TO DEAL WITH THE SOVIET UNION HAS BEEN AT THE HEART OF US POLICY FOR THREE DECADES. WE COULD NOT PREVENT THE SOVIET'S RISE TO THE STATURE OF A SUPER-POWER; BUT WE HAVE CONSISTENTLY ATTEMPTED TO DEVELOP

INHIBITIONS AGAINST THE USSR'S USE OF ITS MILITARY POWER
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AND POLITICAL LEVERAGE IN WAYS THAT JEOPARDIZE OUR INTERESTS AND THOSE OF OUR FRIENDS AND ALLIES.

8. THE IMPERATIVES OF US CONTAINMENT POLICY HAVE ALWAYS BEEN COMPLEX AND DEMANDING. AT PRESENT OUR APPROACH INCLUDES:

-- PRESERVATION OF AN EFFECTIVE DETERRENT AGAINST

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SOVIET ENCHROACHMENTS THROUGH (1) US MILITARY STRENGTH, (2) THE COHESION OF OUR ALLIANCES, (3) IMPROVED TIES WITH PEKING, AND (4) POLITICAL/DIPLOMATIC COMPETITION WITH THE USSR IN VARIOUS THIRD AREAS.

-- WILLINGNESS TO RESOLVE DISPUTES AND LIMIT THE STRATEGIC ARMS RACE THROUGH NEGOTIATED AGREEMENTS REFLECTING A MUTUALITY OF BENEFITS.

-- A SEARCH--AS CONDITIONS PERMIT--FOR BROADER COOPERATION WITH THE USSR IN COMMERCIAL AND OTHER FIELDS TO GENERATE ADDITIONAL BUREAUCRATIC AND POLITICAL INCENTIVES FOR SOVIET RESTRAINT AND MODERATE INTERNATIONAL CONDUCT.

9. THUS THE "DOMESTICATION" OF SOVIET POWER REMAINS A CENTRAL LONG-RANGE TASK, AND US POLICY WILL CONTINUE TO REFLECT TENSION BETWEEN THE REQUIREMENTS OF CONTAINMENT AND THE QUEST FOR A MORE COOPERATIVE RELATIONSHIP.

10. CONTEMPORARY TRENDS (UNDERLINE)

11. IN THE FUTURE THE RELATIVE EMPHASIS AS BETWEEN THESE POLES WILL BE SHAPED BY THESE KEY TRENDS:

-- ALREADY A MILITARY SUPERPOWER, THE SOVIET UNION HAS FOR SOME YEARS BEEN ACQUIRING A SUBSTANTIAL TECHNICAL CAPACITY TO MOUNT LONG DISTANCE MILITARY OPERATIONS; IT IS DEVELOPING A NAVY WITH "GLOBAL" REACH, AND WE ARE SEEING SOME SIGNS OF A MORE ACTIVE SEARCH FOR NEW BASE AND PORT FACILITIES IN FAR-FLUNG REGIONS, THOUGH SO FAR WITHOUT MUCH RESULT. WHILE SOVIET STRATEGIC CAPABILITIES ARE IMPRESSIVE, THEY ARE UNLIKELY FOR THE FORESEEABLE CONFIDENTIAL

FUTURE TO ATTAIN ANY TECHNICAL BREAKTHROUGHS THAT WOULD JEOPARDIZE THE EAST-WEST STRATEGIC BALANCE.

-- THE SOVIET ECONOMY, WHILE POWERFUL AND IMPRESSIVE IN SOME AREAS, REMAINS UNBALANCED IN FAVOR OF HEAVY INDUSTRY. THE USSR LAGS WELL BEHIND THE WEST IN

EFFICIENCY, PRODUCTIVITY, AND PER CAPITA INCOME; MAJOR REFORMS TO STIMULATE INNOVATION AND EXPAND THE ROLE OF MARKET FORCES ARE NOT IN THE OFFING. AGRICULTURE REMAINS NOTORIOUSLY BACKWARD, AND THE USSR MUST EXPECT INCREASING DIFFICULTIES IN MEETING ITS AGRICULTURAL REQUIREMENTS.

12. THE SOVIET'S GREATEST POTENTIAL FOR ACCELERATED ECONOMIC DEVELOPMENT AND EXPORT TRADE GROWTH PROBABLY LIES

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IN THE MINERAL AND ENERGY RESOURCES OF SIBERIA. BUT THE TECHNOLOGY, CAPITAL, AND MANAGEMENT EXPERTISE REQUIRED FOR THEIR DEVELOPMENT WILL STRAIN SOVIET RESOURCES, AND THEY WILL PRESUMABLY CONTINUE TO LOOK TO THE UNITED STATES, WESTERN EUROPE AND JAPAN FOR HELP. INDEED THE SOVIET UNION IS FINDING IT INCREASINGLY DIFFICULT TO INSULATE ITSELF FROM THE EFFECTS OF ECONOMIC TRENDS IN THE WEST, E.G., IMPACT OF WESTERN INFLATION AND RECESSION ON THEIR FOREIGN EXCHANGE AND DEBT SITUATION. TRADE AND ECONOMIC INTER-DEPENDENCE WITH THE NON-COMMUNIST INDUSTRIALIZED COUNTRIES WILL MOST LIKELY INCREASE. AND A NUMBER OF INDUSTRIAL PROJECTS BEING CONSTRUCTED IN THE USSR WITH THE HELP OF FOREIGN FIRMS ARE THEMSELVES LINKED TO CONTINUING FOREIGN TRADE COMMITMENTS.

13. THERE ARE LIMITS, OF COURSE, TO THIS INTERDEPENDENCE. EVEN IF THE SOVIETS ABANDONED CENTRAL DICTATION OF THEIR ECONOMIC SYSTEM AND TURNED AWAY FROM THEIR EMPHASIS ON SELF-SUFFICIENCY--A VERY REMOTE CONTINGENCY--THEY MIGHT AT MOST DEVELOP A DEPENDENCE ON TRADE ROUGHLY COMPARABLE TO THE US NOW--WITH IMPORTS OF 7-8 PERCENT OF GNP RATHER THAN THEIR CURRENT 4 PERCENT. NO SUCH CHANGES ARE IN SIGHT.

14. IN THE EXPANDING ECONOMIC INTERPLAY BETWEEN EAST AND WEST NOTABLE ASSYMETRIES ARE APPARENT. WHAT WE WANT FROM THE EAST (E.G., MARKETS, RAW MATERIALS, SEMI-FINISHED CONFIDENTIAL

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GOODS) REMAINS FAR LESS SIGNIFICANT TO WESTERN WELFARE THAN WHAT THE SOVIETS NEED FROM US. ON THE OTHER HAND, THE USSR ON OCCASION HAS UTILIZED SECRECY AND STATE-RUN MONOPOLIES TO PLAY OFF WESTERN-OWNED FIRMS--AND STATES--AGAINST EACH OTHER TO IMPROVE THE TERMS OF PARTICULAR COMMERCIAL EXCHANGES. IN THIS LATTER CONNECTION, HOWEVER, EUROPEAN, AMERICAN AND JAPANESE FIRMS ARE NOT DEFENSELESS AND THE SOVIET BUREAUCRACY IS NOT THE MOST SUPPLE INSTRU-MENT IN COMMERCIAL NEGOTIATIONS.

-- EAST-WEST ECONOMIC INTERDEPENDENCE IS BEING SUPPLEMENTED BY AN INCREASING DEGREE OF POLITICAL INTER-DEPENDENCE. THE US-SOVIET AGREEMENTS ON ABM AND SALT, THE THRESHOLD TEST BAN AND PNE TREATIES, AND THE GRAIN

AGREEMENT NOT TO MENTION THE NPT PARTICIPATION IN THE

LONDON NUCLEAR SUPPLIERS GROUP, AND TO SOME EXTENT THE HELSINKI AGREEMENT--INVOLVE SOVIET COMMITMENTS BY FORMAL AGREEMENT TO LINKS WITH THE INTERNATIONAL SYSTEM, SOME INVOLVING AREAS OF CONSIDERABLE IMPORTANCE TO SOVIET NATIONAL SECURITY. ALTHOUGH SOVIET PARTICIPATION IN THE

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INTERNATIONAL SYSTEM REMAINS LIMITED AND GRUDGING IN MANY RESPECTS, THE TREND HAS BEEN IN THE RIGHT DIRECTION.

-- POLITICALLY THE USSR HAS ADOPTED AN "ACTIVIST" COURSE. IT REACTED TO ITS EXPULSION FROM EGYPT BY PURSUING (WITH MIXED SUCCESS) CLOSER TIES TO SYRIA AND LIBYA AND COMMITTING ITS PRESTIGE MORE UNEQUIVOCALLY TO THE PLO (IN HOPES OF ERECTING ADDITIONAL OBSTACLES TO US-SPONSORED STEP-BY-STEP DIPLOMACY IN THE MIDDLE EAST). THE SOVIETS HAVE OPENED A NEW ZONE OF REGIONAL CONFLICT WITH THE WEST IN AFRICA THROUGH THEIR INTERVENTION IN ANGOLA. THEY ARE EXPANDING THEIR DIPLOMATIC ACTIVITIES IN ASIA IN THE WAKE OF HANOI'S VICTORY IN INDOCHINA. THEIR POLICIES REVEAL A CONSTANT EFFORT TO ENHANCE THEIR INFLUENCE WHEREVER THEY CAN, AND A TENDENCY TO IMPROVE THEIR INTERNATIONAL POSITION AT THE EXPENSE OF THE US AND CHINA WHEREVER THEY DISCERN OPENINGS AT LOW RISK OF CONFRONTATION.

15. SOVIET ACTIVISM CANNOT CONCEAL, HOWEVER, MAJOR CONFIDENTIAL

WEAKNESSES. ABOVE ALL THERE ARE SOFT SPOTS IN THE SOVIET ECONOMY; THE USSR IS AN UNATTRACTIVE MODEL FOR THE LDCS; IT HAS BEEN CONFINED TO A SPECTATOR ROLE IN NORTH-SOUTH ECONOMIC NEGOTIATIONS, IT IS PLAGUED BY DIFFICULTIES IN CONTROLLING ITS CLIENTS; ITS IDEOLOGICAL AUTHORITY IS AT AN ALL TIME LOW AMONG FOREIGN COMMUNIST PARTIES; ITS ABSORBING PREOCCUPATION WITH CHINA WILL PERSIST FOR THE FORESEEABLE FUTURE; THE ECONOMIC BURDENS OF ITS MILITARY EFFORTS ARE INCREASINGLY DIFFICULT TO BEAR; AND SOVIET DIPLOMACY IS FREQUENTLY HAM-HANDED.

-- SOVIET SOCIETY IS MARKED BY A GROWING MATERIALISM AND AN EXPANDING DEMAND FOR CONSUMER GOODS. THIS IS ACCOMPANIED BY GREATER CYNICISM TOWARDS IDEOLOGY, THE GROWING ASSERTIVENESS OF NON-RUSSIAN NATIONALITIES IN THE USSR, A WANING INTEREST IN PROFESSED COMMUNIST IDEALS, AND A CONSIDERABLE CREDIBILITY GAP ABOUT THE PROPAGANDA LINE. NONETHELESS, THE SOVIET CITIZENRY RETAINS A LIVELY SENSE OF PATRIOTISM. PATIENCE, PASSIVITY AND TOUGHNESS HAVE TRADITIONALLY CHARACTERIZED THE RUSSIANS, AND THESE QUALITIES STILL STAND OUT. AND THE INSTRUMENTALITIES OF POLITICAL, ECONOMIC AND MILITARY CONTROL REMAIN SO CLEARLY

IN SLAV HANDS THAT MAJOR CHALLENGES FROM NON-SLAV NATIONALITIES CAN PROBABLY BE DETERRED OR READILY MANAGED AT LEAST OVER THE NEXT FEW YEARS.

-- SOVIET LEADERSHIP PRESENTLY APPEARS STABLE, BUT IT IS ADVANCED IN YEARS, AND BREZHNEV HAS DONE LITTLE TO

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PREPARE FOR A TRANSFER OF POWER TO YOUNGER MEN. THE LONGER THE INTRUSION OF THE YOUNGER GENERATION INTO THE LEADERSHIP IS DEFERRED, THE MORE DIFFICULT THE ULTIMATE TRANSITION WILL BE. AT THE SAME TIME IT SEEMS UNLIKELY THAT FUTURE CONTENDERS FOR POWER (I.E., MEN NOW IN THEIR 40'S AND 50'S) WILL WISH OR BE ABLE TO ALTER PRESENT POLICIES TO ANY FUNDAMENTAL EXTENT. THEY WILL BE CAST IN ROUGHLY THE SAME MOLD AS BREZHNEV; THEY WILL FACE PERSUASIVE REASONS TO IMPOSE LIMITS ON THE GROWTH OF STRATEGIC ARMS WHOSE COSTS IMPOSE HEAVY BURDENS ON AN ALREADY STRAINED ECONOMY; THEY WILL HAVE STRONG INCENTIVES TO EXAMINE NEW METHODS OF RUNNING AGRICULTURE AND THEIR CONFIDENTIAL

INDUSTRIAL ECONOMY, BUT THE DRAG OF DOCTRINE AND THE INERTIA A LARGE BUREAUCRACY WILL PROVIDE LARGE OBSTACLES TO CHANGE. ONE WOULD EXPECT THEM TO BE CONSERVATIVE IN THE SOVIET SENSE, TOUGH-MINDED, DETERMINED TO MAINTAIN THEIR CONTROLLING POSITION AS A MINORITY GROUP, PRAGMATIC AND PREPARED TO BEND IDEOLOGY TO SUIT REALITY, PERHAPS LESS RIDDEN BY AN INFERIORITY COMPLEX VIS-A-VIS THE WEST, THUS FEELING LESS NEED TO ASSERT SOVIET SUPERIORITY AT EVERY TURN. GREATER SELF-CONFIDENCE COULD LEAD, ALTERNATIVELY, TO GREATER NATIONALISM AND ASSERTIVENESS ABROAD.

16. THE US RESPONSE (UNDERLINE)

17. IF THIS DESCRIPTION OF CURRENT TRENDS IS ACCURATE, THE USSR REMAINS A POWERFUL, DANGEROUS ADVERSARY AGAINST WHICH A BALANCE OF POWER MUST BE MAINTAINED. BUT IT IS ALSO A "FLAWED COLOSSUS" WHICH (1) FACES A HOST OF INTRACTABLE PROBLEMS, (2) POSSESSES NEITHER THE CAPACITY NOR PROBABLY THE DESIRE TO "DESTROY THE WEST," AND (3) IS DEVELOPING A SERIOUS AND GROWING STAKE IN STABILITY IN SOME KEY AREAS. NONETHELESS, IF THE SOVIETS APPEAR INTERESTED IN PRESERVING THE ADVANTAGES OF DETENTE, THEY ARE ALSO TEMPTED TO TAKE ASSERTIVE ACTION BY PROXY AT THE WEAK POINTS OF THE WESTERN PERIPHERY--PARTICULARLY IN THE THIRD WORLD.

18. SOVIET ACTIVISM HAS GENERATED IN AMERICA, MOREOVER, A MORE SKEPTICAL APPRAISAL OF THE ADVANTAGES OF DETENTE.

THERE ARE LOUDER COMPLAINTS THAT US POLICIES HAVE NOT NETTED US RECIPROCAL BENEFITS, INDUCED SOVIET MODERATION, ARRESTED THE GROWTH OF SOVIET POWER, OR LED TO THE CON-SOLIDATION OF OUR RELATIONS WITH MOSCOW'S RIVAL IN PEKING. IN THE FUTURE THE AMERICAN PUBLIC AND CONGRESS WILL BE EXTREMELY ATTENTIVE TO THE BALANCE OF ADVANTAGES

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IN EACH INDIVIDUAL NEGOTIATION WITH THE USSR. AS IN THE PAST, WE WILL EXPECT TO BARGAIN HARD ON SPECIFICS. BUT MEETING THE SOVIET CHALLENGE, WILL DEPEND BOTH ON SOVIET PERCEPTIONS OF NET BENEFITS TO BE DERIVED FROM NEGOTIATION AND ON REMEDYING THOSE CONDITIONS WHICH INVITE CONFIDENTIAL

SOVIET OBSTREPEROUSNESS. ON THE LATTER COUNT, WE HAVE MADE A STRONG START BY:

-- REVERSING THE TREND TOWARD DECLINING (IN REAL TERMS) US DEFENSE BUDGETS;

-- OVERCOMING THE DEBILITATING EFFECTS OF WESTERN INFLATION AND RECESSION THROUGH MORE EFFECTIVE ECONOMIC COOPERATION;

-- ESTABLISHING A MORE PROMISING DIALOGUE WITH THE LDCS ON ECONOMIC ISSUES;

-- EMBARKING ON A MORE ACTIVIST DIPLOMACY IN SOUTHERN AFRICA TO AVERT CONFLICTS WHICH THE SOVIETS COULD EXPLOIT;

-- MOVING TOWARD A STRONGER BIPARTISAN CONSENSUS IN THE US ON MAJOR FOREIGN POLICY ISSUES INCLUDING RELATIONS WITH THE USSR.

19. FUTURE ISSUES (UNDERLINE)

20. FOR THE FUTURE, THE MAJOR ISSUES COULD LOOK RATHER FAMILIAR.

21. (1) STRATEGIC ISSUES (UNDERLINE). SUCCESSFUL COMPLETION OF SALT II NEGOTIATIONS REMAINS A CENTRAL OBJECTIVE. TECHNOLOGICAL DEVELOPMENTS HAVE THEIR OWN IMPETUS, AND UNDUE DELAY COULD ALLOW THEM TO GET OUT OF CONTROL. TWO PROBLEMS--CRUISE MISSILES AND THE BACKFIRE BOMBER--STILL STAND IN THE WAY OF CONCLUDING AN AGREEMENT BASED ON THE 1974 VLADIVOSTOK UNDERSTANDING. BY PLACING CEILINGS ON STRATEGIC SYSTEMS AND ESTABLISHING A SITUATION OF STABLE EQUIVALENCE BETWEEN THE US AND THE USSR, SUCH AN AGREEMENT COULD DIMINISH FURTHER THE RISK OF NUCLEAR WAR, LEAD TO APPROXIMATE PARITY IN STRATEGIC ARMS, AND PRESERVE AN ESSENTIAL ELEMENT OF DETENTE. WE

E WOULD HOPE TO CONCLUDE AN ACCORD WITHIN THE NEAR FUTURE, BUT THIS WILL REQUIRE GREATER SOVIET FLEXIBILITY.
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WHETHER OR NOT SALT II IS CONCLUDED, THE US WILL MAINTAIN A CREDIBLE STRATEGIC DETERRENT NECESSARY TO PROTECT ITS HOMELAND AND SUPPORT ITS OVERSEAS COMMITMENTS. THE PRC'S NUCLEAR FORCE, IT MIGHT BE NOTED, POSES NO REAL THREAT TO THE US AND IS NOWHERE NEAR A LEVEL WARRANTING ADDITIONAL STRATEGIC ARMS ACQUISITION.

22. OF LONGER-TERM CONCERN IS THE DANGER OF FURTHER NUCLEAR PROLIFERATION. WE ARE ATTEMPTING TO DEAL WITH THIS SITUATION IN THE LONDON SUPPLIERS' GROUP. THE HEIGHTENED GLOBAL CONCERN OVER THIS MATTER SINCE THE INDIAN NUCLEAR EXPLOSION, REFLECTS REAL DANGERS, AND JAPANESE RATIFICATION OF THE NPT IS PARTICULARLY WELCOME IN THIS RESPECT. THIS IS AN AREA IN WHICH THE US AND JAPAN WILL UNDOUBTEDLY WISH TO CONTINUE TO WORK TOGETHER.

23. (2) ECONOMIC RELATIONS (UNDERLINE). THE FACT THAT THE EAST NEEDS ENTREE TO THE ECONOMIC ASSETS OF THE WEST MORE THAN THE REVERSE RAISES THE QUESTION WHETHER THE CONTINUED FLOW OF WESTERN RESOURCES TO THE EAST CAN BE MADE TO COUNT MORE THAN AT PRESENT IN THE CALCULUS OF SOVIET ECONOMIC AND POLITICAL DECISIONS. IN ADDITION THERE ARE THE SPECIAL SECURITY PROBLEMS RAISED BY TRADE IN SOME HIGH TECHNOLOGY NON-MILITARY GOODS WITH THE USSR.

24. THE CASE FOR CLOSER OECD COOPERATION RESTS ON THE POLITICAL AND COMMERCIAL ADVANTAGES OF COORDINATING GOVERNMENTAL APPROACHES TO SOME EAST-WEST TRADE ISSUES. FOR EXAMPLE, THERE IS A REAL PROBLEM OF RECIPROCITY IN THE APPLICATION OF GATT MFN TREATMENT TO THE USSR AND NON-MARKET ECONOMIES. WHEN TRADE IS DETERMINED BY STATE TRADING ORGANIZATIONS, THE GATT PREMISE THAT EQUALIZING TRADE OPPORTUNITIES IS ENOUGH DOES NOT STAND UP, AND BILATERAL AGREEMENTS TO ASSURE EQUALITY OF TREATMENT ARE WARRANTED. THEIR EFFECTIVENESS MIGHT BE ENHANCED THROUGH AN OECD STANDARD AGREEMENT THAT WOULD ESTABLISH UNIFORM EAST-WEST TRADE PRACTICES. OTHER PROBLEMS ARISE WITH RESPECT TO CREDIT THAT MAY BEST BE HANDLED THROUGH GENERAL OECD GUIDELINES. THE PRACTICE OF UNDER-
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WRITING EXPORTS TO THE USSR AT BETTER THAN COMMERCIAL TERMS MAKES LITTLE SENSE; AN OECD AGREEMENT TO END SUCH SUBSIDIES WOULD APPEAR PRUDENT.

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25. AND THERE REMAINS THE VALUE OF CONTINUING DISCUSSIONS OF TRENDS IN EAST-WEST ECONOMIC RELATIONS. AT THIS STAGE THERE ARE A NUMBER OF MAJOR UNCERTAINTIES.

-- WILL EAST-WEST COMMERCIAL EXCHANGES CONTINUE AT THE PACE OF THE EARLY AND MID-L970'S? WHAT FACTORS COULD ACCELERATE OR DIMINISH THAT PACE?

-- CAN WE STILL ASSUME THAT THE USSR WILL BECOME A MAJOR ENERGY OR RAW MATERIAL SUPPLIER TO THE WEST?

-- WHAT ARE THE FUTURE GROWTH PROSPECTS FOR THE USSR AND HOW WILL THESE AFFECT THEIR APPROACH TO ECONOMIC OOPERATION WITH THE WEST?

-- MIGHT THE DIFFICULTIES OF ASSIMILATING WESTERN TECHNOLOGY IN THE USSR, TOGETHER WITH RISING DEBTS AND LOWERED HOPES FOR SIBERIAN DEVELOPMENT, PRODUCE ENOUGH FRUSTRATION AT HIGH POLITICAL LEVELS IN THE USSR TO ENCOURAGE A DELIBERATE CUTBACK ON ECONOMIC AND COMMERCIAL DEALINGS WITH THE WEST?

26. (3) POLITICAL COMPETITION IN THIRD AREAS (UNDERLINE). SOUTHEAST ASIA, SUB-SAHARA AFRICA, THE MIDDLE EAST, AND THE PERSIAN GULF ARE AMONG THE AREAS WHERE WE MUST EXPECT ACTIVE SOVIET EFFORTS TO IMPROVE THEIR POSITION. EXCLUSION OF THE USSR FROM THESE AREAS IS NEITHER WITHIN OUR POWER NOR NECESSARY FOR THE DEFENSE OF OUR INTERESTS. ON THE BASIS OF PAST EXPERIENCE, THE TASK OF PREVENTING THE SOVIETS FROM TRANSLATING GROWING MILITARY POWER INTO UNILATERAL POLITICAL ADVANTAGE IN THIRD AREAS DEPENDS LESS ON MANIPULATING OUR BILATERAL TIES WITH MOSCOW THAN UPON OUR RESPONSE TO THE LOCAL CIRCUMSTANCES IN AREAS OF POLITI-CAL COMPETITION. BUT WHAT TYPES OF SOVIET ACTIVITIES IN THESE REGIONS SHOULD WE SEEK TO OBSTRUCT? WHICH SHOULD WE ENCOURAGE? FOR EXAMPLE, IN THE SOUTHWEST PACIFIC AND SOUTHEAST ASIA ARE THERE STEPS WE CAN TAKE JOINTLY TO LIMIT
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SOVIET ENTREE TO FACILITIES WHICH WOULD ENABLE THEM TO PROJECT THEIR NAVAL POWER INTO THE REGION MORE EFFICIENTLY?

27. TO BE SURE, A DOMINANT MOTIVE FOR SOVIET ACTIVITY IN THESE AREAS IS COMPETITION WITH CHINA, AND OUR ABILITY TO COUNTER MOSCOW WILL DEPEND NOT ONLY ON WHAT WE ARE DOING AND CAN DO WITH MOSCOW, BUT WHAT MOSCOW SEES US DOING AND FEARS WE MIGHT UNDERTAKE WITH THE PRC.

28. (4) OTHER ISSUES (UNDERLINE). HUMANITARIAN CONCERNS

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WILL RETAIN A PERMANENT PLACE IN OUR POLICY OUTLOOK, AND

E CAN EXPECT THIS TO CONTINUE TO COMPLICATE POLITICAL RELATIONS WITH THE USSR. THE HELSINKI ACCORD PROVIDES A TOOL WITH WHICH TO PRESS FOR MORE SOVIET EMIGRATION, GREATER FREEDOM OF MOVEMENT, AND RESOLUTION OF FAMILY UNIFICATION CASES. WE WOULD EXPECT, MOREOVER, TO CONTINUE OUR EXTENSIVE PROGRAMS OF SCIENTIFIC AND CULTURAL EXCHANGE WITH THE USSR, WHILE MAKING PERSISTENT EFFORTS TO ASSURE A REASONABLE BALANCE OF BENEFITS.

29. UNITED STATES POLICY TOWARD CHINA (UNDERLINE)

30. A SHARED STAKE IN RESTRAINING SOVIET POWER PROVIDED THE STRATEGIC BASIS FOR THE US "OPENING" TO PEKING IN 1971. IMPROVED RELATIONS WITH THE PRC HAS SECURED US A VARIETY OF BENEFITS: ENHANCED PROSPECTS FOR SUSTAINING A GLOBAL EQUILIBRIUM AMONG THE GREAT POWERS; DIMINISHED DANGERS OF CONFLICT IN ASIA; A MORE RELIABLE BASIS FOR THE GROWTH OF A DURABLE BILATERAL RELATIONSHIP, INCLUDING EXPANDED COMMERCIAL OPPORTUNITIES AND CULTURAL AND EDUCATIONAL EXCHANGES; BETTER PROSPECTS FOR AVERTING CONFLICTS AND PROMOTING PARALLEL APPROACHES TO CRITICAL GLOBAL ISSUES. THE CHINESE LIKEWISE DERIVE ADVANTAGES, E.G., A HEDGE AGAINST SOVIET PRESSURES, BROADER ACCESS TO THE INTERNATIONAL COMMUNITY, THE PROSPECT OF RESOLVING THE TAIWAN ISSUE.

31. DURING RECENT YEARS PARALLEL US-PRC APPROACHES HAVE BEEN APPARENT IN A NUMBER OF AREAS--MOST NOTABLY IN CHINA'S RHETORICAL SUPPORT OF NATO AND THE US-JAPAN
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ALLIANCE; THE ABSENCE OF CHINESE PRESSURE AGAINST US BASES AND FORCES IN ASIA, PEKING'S ENDORSEMENT OF ASEAN, ITS EFFORTS TO COUNTER SOVIET INFLUENCE IN SOUTH AND SOUTHEAST ASIA, AFRICA; ITS EVIDENT DISPOSITION TO ALLOW THE TAIWAN ISSUE TO BE RESOLVED GRADUALLY.

32. WE HAVE ALSO MADE PROGRESS IN IMPLEMENTING THE SHANGHAI COMMUNIQUE. CONSISTENT WITH THE VIEWS OF THE CHINESE ON BOTH SIDES OF THE TAIWAN STRAITS, WE DO NOT CHALLENGE THE PRINCIPLE THAT THERE IS BUT ONE CHINA OF WHICH TAIWAN IS A PART. WE HAVE REDUCED OUR MILITARY FORCES IN TAIWAN SUBSTANTIALLY, AND ANTICIPATE THEIR ULTIMATELY COMPLETE WITHDRAWAL. OUR POLICY TOWARD THE PRC ENVISAGES A COMPLETE NORMALIZATION OF DIPLOMATIC RELATIONS.

33. THE CHINESE HAVE REPEATEDLY EXPRESSED TO US THEIR

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UNDERSTANDING OF THE PACE OF WHICH OUR RELATIONSHIP HAS EVOLVED. TO THE EXTENT THEY HAVE BEEN DISSATISFIED WITH

OUR RELATIONSHIP, THEIR DISCONTENT HAS ARISEN MAINLY FROM POST-INDOCHINA CONCERNS ABOUT OUR ABILITY AND/OR RESOLVE TO PLAY THE ROLE THEY WOULD ASSIGN US IN OUR OWN ANTI-SOVIET CONTAINMENT POLICY. BUT THEY HAVE ALSO REMINDED US PERIODICALLY THAT THEY EXPECT FURTHER MOVES ON THE NORMALIZATION FRONT IN THE NOT DISTANT FUTURE.

34. CONTEMPORARY TRENDS (UNDERLINE)

35. THE FUTURE CONTOURS OF SINO-US RELATIONS WILL BE SHAPED BY THESE TRENDS.

-- THE PASSING OF MAO SIGNALS A PERIOD OF INTENSIFIED STRUGGLE FOR THE SUCCESSION. MAO LEFT NO INSTITUTIONAL MEANS OF TRANSFERRING POWER; CONSEQUENTLY COALITION BUILDING AMONG RIVAL FACTIONS WILL BE THE ORDER OF THE DAY. AVAILABLE EVIDENCE SUGGESTS THAT A ROUGH BALANCE EXISTS AMONG THE CONTENDING FACTIONS IN THE POLITBURO. THESE CONTENDING FORCES CAN BE EXPECTED TO PRESENT AT LEAST A FACADE OF HARMONY AND ORDER FOR THE TIME BEING, ALTHOUGH ONE CANNOT RULE OUT THE POSSIBILITY OF A RELATIVELY OPEN

POWER STRUGGLE.

-- THE MOST LIKELY LEADERSHIP ALIGNMENT IN THE NEAR TERM IS A COLLEGIAL ONE, PROBABLY HEADED BY HUA-KUO-FENG. IT IS DOUBTFUL THAT SUCH A COALITION WILL POSSESS THE STRENGTH AND COHESION TO EMBARK ON ANY SIGNIFICANT POLICY CHANGES FOR SOME TIME. ALTERNATIVE POSSIBILITIES, OF COURSE, INCLUDE (1) A LEFT-LEANING AND (2) A MODERATE-LEANING COALITION.

-- POLITICAL MANEUVERING WILL PROBABLY REVOLVE PRI MARILY AROUND DOMESTIC ISSUES. THERE IS NO EVIDENCE THAT FOREIGN POLICY HAS BEEN THE CENTRAL ISSUE IN THE RECENT LEADERSHIP STRUGGLE, AND SIGNS POINT TO FAIRLY GENERAL AGREEMENT WITHIN THE LEADERSHIP ON AN ANTI-SOVIET STANCE AND SUSTAINING GOOD RELATIONS WITH THE WEST.

-- THERE ARE DIFFERENCES IN EMPHASIS, HOWEVER. THE LEFT FEELS PARTICULARLY STRONGLY ABOUT ISSUES INVOLVING NATIONAL TERRITORY AND SOVEREIGNTY, AND A LEFT-LEANING COALITION WOULD BE MORE DISPOSED TO PRESS THE US HARD ON THE TAIWAN ISSUE. FURTHERMORE, A LEFTIST COALITION WOULD PROBABLY BE LEAST LIKELY TO RESPOND POSITIVELY TO FUTURE SOVIET OFFERS TO IMPROVE RELATIONS.

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-- WHOEVER EMERGES AS MAO'S SUCCESSOR(S),
HE WILL BE CONFRONTED WITH THE SAME FOREIGN POLICY

PROBLEMS PEKING HAS BEEN FACING FOR A LONG TIME, I.E., A
THE NEED TO DEFEND CHINA'S BORDERS, AND A DESIRE TO PRO-
JECT CHINA'S INFLUENCE ABROAD IN THE FACE OF LIMITED
CAPABILITIES TO COMPETE WITH THE SUPERPOWERS IN DOING SO.
CHINA FACES A NUMBER OF DISADVANTAGES IN MAJOR POWER
COMPETITION. IT REMAINS INFERIOR TO THE US AND THE SOVIET
UNION IN STRATEGIC POWER, THOUGH IT IS ACQUIRING A MORE
RELIABLE SECOND STRIKE DETERRENT. CHINA IN SOME RESPECTS
STILL RANKS AS AN LDC, AND HAS RELATIVELY LITTLE TO OFFER
THE THIRD WORLD OTHER THAN ITS DOCTRINE OF SELF-RELIANCE.
IT REMAINS CONFINED TO AN ESSENTIALLY SECONDARY ROLE IN
MOST INTERNATIONAL DEVELOPMENTS BEYOND ASIA.

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36. THESE DEFICIENCIES NOTWITHSTANDING, THE
RESIDUAL STRENGTHS IN CHINA'S INTERNATIONAL POSITION
REMAIN IMPRESSIVE. ITS SIZE, MILITARY POTENTIAL AND
POLITICAL ATTRACTION WILL CONTINUE TO WORRY THE USSR, AND
SHOULD CHINA REVERT TO A MORE REVOLUTIONARY FOREIGN POLICY
ORIENTATION, IT COULD PROVE A DISRUPTIVE FORCE ON THE
REGIONAL AND GLOBAL EQUILIBRIUM.

-- POLITICAL DISARRAY IN CHINA COULD CONTRIBUTE TO
AN ECONOMIC SLOWDOWN. (UNDERLINE) 1975 WAS NOT A BANNER
YEAR FOR THE CHINESE ECONOMY, AND THE RECENT EARTHQUAKES
PLACE ANOTHER LARGE QUESTION MARK OVER FUTURE PROSPECTS.
POLITICAL IN-FIGHTING COULD RESULT IN GREATER EMPHASIS
UPON SELF-RELIANCE. IN ANY EVENT LIMITED FOREIGN
EXCHANGE WILL LIMIT PEKING'S ABILITY TO BUY ABROAD EVEN
AS ITS PREVAILING BACKWARDNESS WILL IMPOSE LIMITS ON ITS
ABILITY TO ABSORB AND APPLY ADVANCED TECHNOLOGY. STILL
ITS INDUSTRIES POSSESS MANY BOTTLENECKS WHICH WESTERN
EQUIPMENT COULD RELIEVE. THUS THE POTENTIAL FOR SLOW BUT
STEADY TRADE EXPANSION WILL PERSIST, BUT PROBABLY AT A
SLOWER RATE THAN IN THE EARLY 1970'S.

-- THE SINO-SOVIET RIVALRY IS LIKELY TO CONTINUE
(UNDERLINE). ITS ROOTS ARE DEEP, AND THEY GO WELL BEYOND
MAO'S OBSESSION WITH THE USSR. WHILE BOTH PARTIES DOUBT-
LESS PERCEIVE INCENTIVES TO ACHIEVE AT LEAST A LIMITED
MODUS VIVENDI, THEY FACE A HOST OF OBSTACLES IN TRANSLAT-
ING THAT POSSIBILITY INTO A REALITY. EACH SIDE HOLDS THE
OTHER RESPONSIBLE FOR THE EXISTING VOTIHASTILY ABANDON-
WILL BE WILLING TO ACKNOWLEDGE FAULT BY HASTILY ABANDON-
ING LONG-STANDING POSITIONS. THE CHINESE SUCCESSION

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STRUGGLE ITSELF COULD IMPOSE A MAJOR "DRAG" ON ANY EFFORTS TO ADJUST PRC POLICY TOWARD THE USSR. AND SINO-SOVIET COMPETITION IN THIRD AREAS HAS ACQUIRED A MOMENTUM OF ITS OWN, THUS REINFORCING OTHER SOURCES OF SUSPICION.

37. THE SOVIETS HAVE APPEARED MORE INTERESTED THAN THE CHINESE IN A LIMITED DETENTE, AND THEY MIGHT BE EXPECTED TO MAKE A SERIES OF OVERTURES FOR AN IMPROVEMENT IN RELATIONS. THESE COULD INCLUDE:

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-- A REVIVAL OF WELL WORN PROPOSALS SUCH AS A NON-AGGRESSION PACT, A NON-USE OF FORCE TREATY, AND A JOINT AGREEMENT TO CONDUCT RELATIONS ON THE BASIS OF PEACEFUL COEXISTENCE.

-- AN OFFER TO EXPAND TRADE AND CULTURAL EXCHANGE TO DEMONSTRATE SOVIET GOOD FAITH AND TEST THE REACTIONS OF VARIOUS CHINESE FACTIONS.

-- CONCEIVABLY A NEW PACKAGE OF LIMITED CONCESSIONS ON BORDER ISSUES.

-- A REDUCTION IN POLEMICAL PROPAGANDA EXCHANGES.

-- POSSIBLY AN EFFORT TO ARRANGE WITH MAO'S SUCCESSORS A SUMMIT MEETING.

38. THE AVAILABLE EVIDENCE SUGGEST THAT SOVIET OFFICIALS ARE NOT SANGUINE ABOUT AN EARLY "THAW"; THEY APPEAR TO EXPECT AN EXTENDED INTERRE IN CHINA DURING WHICH NO ONE PRC LEADER WILL BE STRONG ENOUGH TO EMBARK ON MAJOR POLICY SHIFTS TOWARD THEM. BUT MOSCOW STILL CHERISHES THE HOPE THAT A LIMITED RAPPROACHEMENT MAY BE ARRANGED ONCE INTERNAL DEVELOPMENTS IN CHINA SETTLE SOMEWHAT.

39. IF SERIOUS THREATS TO CHINESE UNITY WERE TO APPEAR, A DRAMATIC HEIGHTENING OF TENSIONS ON THE BORDERS MIGHT BE A MORE LIKELY PRC REACTION THAN CONCILIATORY RESPONSES TO SOVIET GESTURES. NONETHELESS, OVER TIME CHINESE MODERATES COULD CONCLUDE THAT THEIR INTERESTS ARE NOT SERVED BY THE PRESERVATION OF A SEMI-PERMANENT STATE OF MILITARY TENSION ON THE BORDERS, AND BY CONCEDING THE US AND JAPAN GREATER FLEXIBILITY IN THE ASIAN QUADRILATERAL. SOME MILITARY LEADERS, CHARGED WITH PROTECTING THE COUNTRY AGAINST A SUPERIOR ADVERSARY, MIGHT ALSO FAVOR MODEST CONCESSIONS TO REDUCE THE SOVIET DANGER. EVEN LIMITED ADJUSTMENTS, HOWEVER, ARE UNLIKELY TO PROMPT PRC LEADERS TO CEASE REGARDING THE SOVIETS AS THE "MAIN ADVERSARY." THERE

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IS LITTLE PROSPECT THAT THEY WILL ALLOW ANY RESUMPTION OF SIGNIFICANT ECONOMIC DEPENDENCE ON THE USSR, OR THAT THEY WOULD BE PREPARED TO SACRIFICE CHINA'S NEW AND WIDENING
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RELATIONS WITH THE WEST, JAPAN, AND THE THIRD WORLD FOR THE SAKE OF A BETTER RELATIONSHIP WITH MOSCOW.

40. CHINESE INTEREST IN EVEN A MODEST "THAW" IN RELATIONS ITH MOSCOW, OF COURSE, WILL DEPEND NOT ONLY ON THE NATURE OF SOVIET MOVES BUT ON THEIR ASSESSMENT OF US POLICY, INCLUDING THE PROSPECTS FOR FUTURE MOVEMENT ON THE TAIWAN QUESTION.

41. UNITED STATES POLICY PERSPECTIVES (UNDERLINE)

42. FOR THE UNITED STATES A CONSOLIDATION OF RELATIONS WITH THE PRC REMAINS A HIGHLY SIGNIFICANT OBJECTIVE, NOT LEAST BECAUSE CONSTRUCTIVE TIES WITH PEKING WILL ENABLE US TO MINIMIZE THE LONGER-TERM COST OF COMPETING WITH TWO WORLD POWERS.

43. THE FIRST REQUIREMENT FOR FURTHER IMPROVEMENT OF RELATIONS WITH CHINA IS EVIDENCE OF US ABILITY TO REMAIN A STRONG COUNTERWEIGHT AGAINST THE SOVIET UNION. IF THE US DOES NOT RETAIN A STRONG INTERNATIONAL POSITION, A RESOLUTION OF THE TAIWAN PROBLEM WILL NOT ASSURE EFFECTIVE US/PRC TIES. IF OUR GLOBAL POSTURE IS STRONG--AND OUR POSITION HAS BEGUN TO IMPROVE IN RECENT MONTHS--AGREEMENT ON THE MODALITIES OF NORMALIZATION MAY BE MORE READILY MANAGED ON MUTUALLY ACCEPTABLE TERMS.

44. BEYOND THE NEED TO PRESERVE A STRONG GLOBAL ROLE, HOWEVER, WE REMAIN COMMITTED TO COMPLETE THE NORMALI-ZATION PROCESS.

45. IN SOME RESPECTS THAT TASK OF NORMALIZING RELATIONS HAS BEEN COMPLICATED BY RECENT TRENDS. INTERNAL DISARRAY IN CHINA COULD LEND GREATER RIGIDITY TO PRC NEGOTIATING POSITIONS ON TAIWAN. IN THE UNITED STATES THE DOMESTIC POLITICS OF THE CHINA ISSUE HAS BECOME MORE COMPLICATED. THE JAPANESE GOVERNMENT HAS DISPLAYED CONCERNS ABOUT THE IMPACT OF MAJOR ADJUSTMENTS IN US-CHINA POLICY UPON ITS OWN POSITION IN ASIA. ANXIETIES ABOUT US CREDIBILITY IN ASIA AND ELSEWHERE HAVE BEEN STIMULATED BY THE OUTCOME IN INDOCHINA AND ANGOLA, REINFORCING THE DELICACY OF THE
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TAIWAN PROBLEM FOR US.

46. OTHER ASPECTS OF THE INTERNATIONAL ENVIRONMENT, ON THE OTHER-HAND, MAY CONTRIBUTE TO A MRROD AHEAD. FOR ONE ATMOSPHERE FOR NEGOTIATIONS IN THE PERIOD AHEAD. FOR ONE THING, THE US GLOBAL POSITION HAS BEEN IMPROVED BY AN EXPANDED DEFENSE BUDGET, A MORE ACTIVE DIPLOMACY IN SOUTHERN AFRICA, IMPROVED TIES WITH OUR MAJOR ALLIES, AND A STRONG WESTERN ECONOMIC RECOVERY. FOR ANOTHER, CHINA SHARES A STAKE IN US CREDIBILITY INSOFAR AS IT COUNTS ON

HOPE
US AS A MAJOR ELEMENT IN THE ASIAN BALANCE. WE WOULD HOPE THIS WOULD INCLINE THEM TO EXHIBIT CONTINUED PATIENCE AND RESTRAINT REGARDING THE TIMING AND TERMS ON WHICH THE TAIWAN QUESTION IS RESOLVED. FINALLY, WE REMAIN IN A POSITION TO HELP THE PRC AVERT THOSE DEVELOPMENTS THAT WOULD MOST SERIOUSLY JEOPARDIZE THEIR LONGER-TERM PROSPECTS FOR ALTERING THE TERMS OF THE TAIWAN PROBLEM IN DIRECTIONS THEY PREFER, I.E., SERIOUS ROC CONSIDERATIONS OF A "SOVIET OPTION," OR AN EARLY MOVE BY THE ROC TO PRO-CLAIM ITS INDEPENDENCE AND DISOWN THE "ONE-CHINA" THESIS.

47. WHILE WE REMAIN DETERMINED TO COMPLETE THE NORMALI-ZATION PROCESS, WE HAVE NOT YET REACHED FIRM DECISIONS REGARDING THE TIMING AND TERMS. THESE MUST EMERGE FROM NEGOTIATIONS WITH PEKING. FOR SUCH NEGOTIATIONS TO SUCCEED WE WILL HAVE TO RESPECT PEKING'S PRINCIPLES; BUT THE CHINESE WILL HAVE TO DEMONSTRATE FLEXIBILITY AND REALISM IN IMPLEMENTING THEM.

48. OUR APPROACH TO THE TAIWAN QUESTION IS RELATED TO A LARGER ISSUE: HOW WE "PLAY" THE SINO-SOVIET QUARREL. WHILE WE DERIVE ADVANTAGES FROM THAT RIVALRY, OUR ABILITY TO MANIPULATE IT REMAINS LIMITED. OUR INTERESTS WOULD BE SERVED NEITHER BY A RENEWAL OF CLOSE SINO-SOVIET TIES NOR BY A MAJOR DETERIORATION IN SINO-SOVIET RELATIONS. A LIMITED "THAW" WOULD NOT INEVITABLY REDOUND TO OUR DIS-ADVANTAGE PROVIDED IT WAS NOT BASED ON SHARED HOSTILITY TOWARD THE US OR OUR KEY ALLIES. BUT IT COULD HAVE SOME ADVERSE CONSEQUENCES INCLUDING SOME REDUCTION IN US AND
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JAPANESE DIPLOMATIC FLEXIBILITY AND RELEASING SOVIET AND CHINESE RESOURCES AND ENERGIES TO PURSUE OTHER OBJECTIVES.

49. FOR THE FUTURE OUR APPROACH TO THE SINO-SOVIET DIS-PUTE WILL LIKELY FOLLOW THESE GUIDELINES:

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-- WE WILL CONTINUE TO SEEK IMPROVED RELATIONS WITH BOTH THE USSR AND CHINA. THE RECORD TO DATE SUGGESTS IMPROVEMENT IN OUR RELATIONS WITH ONE HAS NOT LED TO A DETERIORATION IN OUR TIES WITH THE OTHER; QUITE TO THE CONTRARY, THE REVERSE IS TRUE.

-- WE WILL RESIST INSTRUCTION BY EITHER PARTY ON THE COURSE WE SHOULD ADOPT TOWARD ITS RIVAL. OUR MAJOR DIFFERENCES WITH BOTH THE SOVIETS AND CHINA OVER IDEOLOGIES WILL PERSIST, AND WE WILL NOT ATTEMPT TO HIDE THESE.

-- WE WILL SEEK TO PRESERVE THE INTEGRITY OF OUR ALLIANCE WITH WESTERN EUROPE AND JAPAN, SINCE--BEYOND THEIR OWN INTRINSIC VALUE--THESE ALLIANCES ARE ESSENTIAL FOR AN EFFECTIVE BARGAINING POSITION WITH ADVERSARIES. WE INTEND TO HARMONIZE POLICIES WITH OUR ALLIES LEST DIFFERENTIAL APPROACHES GENERATE COMPETITION AND RIVALRY AMONG FRIENDS.

50. IMPLICATIONS FOR US-JAPAN RELATIONS (UNDERLINE)

51. WHILE THIS PAPER HAS FOCUSSED ESSENTIALLY ON THE PROSPECTS FOR US BILATERAL TIES WITH MOSCOW AND PEKING, WE WILL DESIGN OUR APPROACH TO BOTH NATIONS ON THE PREMISE THAT CONTINUOUS EFFORTS TO COORDINATE OUR POLICH APPROACHES WITH JAPAN WILL REMAIN ESSENTIAL.

-- WE RECOGNIZE THAT AN EFFECTIVE US STRATEGIC DETERRENT CONTINUES TO UNDERLIE US-JAPAN SECURITY RELATIONS, AND WE INTEND TO PRESERVE A STRONG POSITION IN THE GLOBAL BALANCE, INCLUDING FORWARD DEPLOYED GENERAL PURPOSE FORCES IN THE WESTERN PACIFIC. AS SOVIET MILITARY POWER GROWS, PATTERNS OF US-JAPANESE DEFENSE COOPERATION MAY FIND NEW PRACTICAL EXPRESSIONS, FOR EXAMPLE, GREATER COMPLEMENTARITY IN AND COORDINATION OF CONFIDENTIAL

OUR INDEPENDENT EFFORTS IN THE FIELDS OF NAVAL AND AIR DEFENSE IN THE NORTHWEST PACIFIC.

-- IN APPROACHING REGIONAL DISPUTES (E.G. KOREA), EFFORTS TO CONCERT OUR RESPECTIVE POLICIES WILL REMAIN IMPORTANT TO OUR PROSPECTS OF ENGAGING THE PRC AND/OR SOVIET UNION IN MORE CONSTRUCTIVE EFFORTS TO DEFUSE TENSIONS. SIMILAR POLICY COORDINATION WILL CONTRIBUTE TO OUR JOINT INTERESTS IN DILUTING SOVIET INFLUENCE IN INDOCHINA WHILE ERECTING ADDITIONAL INHIBITIONS AGAINST VIETNAMESE PRESSURES AGAINST ITS ASEAN NEIGHBORS.

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-- WHILE WE CONTINUE TO BELIEVE THAT MUCH OF THE INITIATIVE FOR COMMERCIAL RELATIONS WITH THE EAST WILL REST WITH OUR RESPECTIVE PRIVATE SECTORS, A STRONGER GOVERNMENTAL ROLE MAY BE APPROPRIATE ON SOME KEY ISSUES (E.G. GUIDELINES TO GOVERN TRADE AND CREDIT ARRANGEMENTS WITH NON-MARKET ECONOMIES), AND WE WILL WANT TO EXPLORE THE GENERAL DEVELOPMENT OF EAST-WEST TRADE WITH JAPAN AND OTHER INDUSTRIAL DEMOCRACIES. CONTINUED CLOSE CON SULTATION WILL BE PARTICULARLY IMPORTANT WITH RESPECT TO FUTURE SALES OF ADVANCED TECHNOLOGY--PARTICULARLY MILI-TARILY-RELEVANT TECHNOLOGY--TO THE MAJOR COMMUNIST POWERS.

-- IN DESIGNING OUR FUTURE POLICIES TOWARD KEY MULTILATERAL ISSUES SUCH AS ENERGY, RAW MATERIALS, TRADE, FOOD RESERVES, ETC., WE SHOULD COORDINATE CLOSELY ON A CONTINUING BASIS REGARDING THE EFFICACY AND UTILITY OF DRAWING THE COMMUNIST NATIONS INTO PRACTICAL ARRANGE-MENTS TO RESPOND TO SUCH GLOBAL PROBLEMS.

-- WHILE THE TERMS OF US NORMALIZATION WITH PEKING MUST EVOLVE OUT OF BILATERAL NEGOTIATIONS WITH PEKING, WE RECOGNIZE THE IMPORTANCE OF CLOSE AND CANDID ADVANCE CONSULTATIONS WITH JAPAN PRIOR TO KEY DECISIONS. AND WE LOOK FORWARD TO A CONTINUING EXCHANGE OF VIEWS ON THE EVOLUTION OF OUR RESPECTIVE BILATERAL RELATIONS WITH BOTH MOSCOW AND PEKING. ROBINSON

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